

Message Text

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PAGE 01 CAIRO 11243 01 OF 02 210510Z
ACTION EB-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 XMB-02 CAB-02 CIAE-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 /048 W
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8198
INFO AMEMBASSY BRUSSELS
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DEPARTMENT PASS EX-IM AND FAA

FAA FOR CARY, CARMICHAEL

ROME FOR RCAA AND FAA

BRUSSELS FOR FAA

E.O. 11652: N/A
TAGS: EAIR, EG
SUBJ: EGYPTAIR SHOWS 1977 PROFIT

REF: 77 CAIRO 2923

1. REGIONAL CIVIL AVIATION ATTACHE DWOR PAID VISIT TO
CAIRO APRIL 10 - 13 TO CHECK INTO PERSISTENT REPORTS
THAT EGYPTAIR PLANS ACQUIRE WIDE-BODIED AIRCRAFT FOR
DELIVERY IN 1979. DURING VISIT, RCAA, ACCOMPANIED BY
EMBOFF, MET WITH ACTING EGYPTAIR CHAIRMAN EZZAT MEGAHED
AND PLANNING VP ZIMITY. OTHER SENIOR EGYPTAIR PERSONNEL
WERE OUT OF COUNTRY AT TIME OF VISIT. (PERSPECTIVE
ON WIDE BODY ACQUISITION IS BEING ADDRESSED BY RCAA IN
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PAGE 02 CAIRO 11243 01 OF 02 210510Z

SEPTTEL FROM ROME.) DURING COURSE OF DISCUSSIONS, EGYPTAIR
PERSONNEL MADE AVAILABLE PREVIOUSLY UNDISCLOSED DATA
ABOUT EGYPTAIR'S UTILIZATION RATES AND PROFITABILITY WHICH
SHOW SUBSTANTIAL NET REVENUE FOR 1976 AND SIGNIFICANT
INCREASE IN NET REVENUE FOR 1977. 1977 INCREASE APPARENT-
LY RESULT OF APRIL LEASE OF TWO A-300 AIR BUSES.

2. OVERVIEW - ACCORDING TO CONTACTS, EGYPTAIR AS A CORPORATION HAS BEEN MAKING SUBSTANTIAL PROFITS PAST TWO YEARS. THIS IN PART MADE POSSIBLE BY GOVERNMENT ASSUMPTION OF PREVIOUS LOAN BALANCES (SEE REFTEL). IN APRIL 1977 AIRLINE LEASED TWO A-300 AIR BUSES FROM GERMAN BAVARIAN AIRLINES. AT SAME TIME EGYPTAIR LEASED THREE 737'S FROM THEIR FLEET TO FOREIGN (BELGIAN) AIRLINE. THIS COMBINATION HAS PROVED VERY ADVANTAGEOUS AND EGYPTAIR REPORTS 1977 PROFIT OF OVER LE 17 MILLION.

3. AIRCRAFT UTILIZATION RATES -

A. AVERAGE UTILIZATION FIGURES (IN HOURS/MINUTES PER DAY)

	1976	1977	PER CENT INCREASE
B700	8/17	9/08	10.3
B737	5/43	7/34	32.4
A300		9/00	

B. TOTAL FIGURES FOR REVENUE PASSENGERS

	1976	1977	PER CENT INCREASE

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PAGE 03 CAIRO 11243 01 OF 02 210510Z

INTERNATIONAL ROUTES	811,713	959,208	18.3
DOMESTIC ROUTES	301,021	333,222	10.7
TOTAL	1,112,734	1,292,430	16.1

C. TOTAL FIGURES FOR CARGO LOAD (IN TONS)

	1976	1977	PER CENT INCREASE
INTERNATIONAL ROUTES	12,566	15,369	22.3
DOMESTIC ROUTES	563	836	48
TOTAL	13,129	16,205	23.5

D. SYSTEM PASSENGER LOAD FACTOR

	1976	1977
INTERNATIONAL ROUTES	58.2	54.6
DOMESTIC ROUTES	54.6	67.8

E. SYSTEM WEIGHT LOAD FACTOR

- 1976 1977

INTERNATIONAL ROUTES 52.2 49.1
DOMESTIC ROUTES 50.8 62.3

4. REVENUE - (ACCORDING TO EGYPTAIR, THEY USE THE 1975
IATA RATE FOR TRANSFERRING VALUE OF FOREIGN CURRENCY
REVENUE TO LE. (RATE IS LE 1.000 EQUALS \$2.32.)

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PAGE 01 CAIRO 11243 02 OF 02 210606Z
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A. OPERATING REVENUE (IN LE MILLIONS)

- 1976 1977

SCHEDULED INT'L
OPERATIONS 46.1 60.0
DOMESTIC FLIGHTS 4.3 4.8
SPECIAL AND CHARTERS 4.4 3.0
TOTAL 54.8 67.8

B. OPERATING REVENUE (IN LE MILLIONS) BROKEN DOWN BY TYPE OF AIRCRAFT - 1977 ONLY:

B707 36.1
B737 13.2
A300 14.4
OTHERS .8
SPECIAL AND CHARTERS 3.3

C. REVENUES FROM OTHER SERVICES (IN LE MILLIONS) DUTY
FREE SALES AND CATERING - 1977 ONLY
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PAGE 02 CAIRO 11243 02 OF 02 210606Z

- 18.5

D. TOTAL REVENUES (IN LE MILLIONS)

- 1976 1977

GROSS REVENUE FROM
ALL SOURCES 69.2 86.3

E. NET REVENUE

FLIGHT OPERATIONS 4.88 10.23 (SEE FOOTNOTE)

OTHER SERVICES 5.44 7.64
MISCELLANEOUS .06 .06
TOTAL NET REVENUE 10.26 17.81

(FOOTNOTE: OF WHICH A-300 CONTRIBUTED LE 6.25 MILLION)

5. CASH RESERVES - ACCORDING SOURCES, EGYPTAIR CURRENTLY HAS ON DEPOSIT IN EGYPTIAN BANKS LE 6,016,276. IN ADDITION, EGYPTAIR OFFICIALS REVEALED THAT THEY HAVE HARD CURRENCY BALANCES IN NATIONAL BANK OF CLEVELAND, OHIO, CHASE MANHATTAN AND LLOYDS BANK OF LONDON. THEY WOULD NOT DISCLOSE THE AMOUNT HELD OUTSIDE EGYPT. TOTAL 1977 EARNINGS WERE IN RATION OF 55 PER CENT HARD CURRENCY TO 45 PER CENT LOCAL CURRENCY.

6. PROJECTED REVENUE. EGYPTAIR PLANNERS ARE PROJECTING AT LEAST LE 20 MILLION PROFIT FOR 1978. THIS IS DUE TO INCREASED UTILIZATION OF A-300 AIR BUSES. LEASE OF TWO A-300 AIR BUSES WHICH HAVE CAUSED SUCH DRAMATIC LIMITED OFFICIAL USE

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PAGE 03 CAIRO 11243 02 OF 02 210606Z

IMPROVEMENT IN FINANCIAL PICTURE OF EGYPTAIR WILL END, HOWEVER, IN NOVEMBER 1979. THE AIRLINE, THEREFORE, MUST LOOK FOR REPLACEMENT, WHICH IS GENESIS OF WIDE-BODY ACQUISITION PLANS.

7. FUTURE OF EGYPTAIR CORPORATION. ACTING CHAIRMAN

MEGAHED ALSO DESCRIBED PLANS FOR CHANGE IN EGYPTAIR'S OPERATING PROCEDURES. BILL NOW BEFORE PA WILL ALLOW EGYPTAIR TO HIRE AND FIRE ON COMPETITIVE BASIS AND TO SHED MANY OF UNDESIRABLE RULES APPLIED TO PUBLIC SECTOR COMPANIES. ONCE THIS HAPPENS, COMPANY HOPES TO IMPROVE OPERATIONS EVEN MORE. DURING RECENTLY COMPLETED CIVIL NEGOTIATIONS, EGYPTAIR PERSONNEL TOLD MEMBERS THAT EGYPTAIR WOULD BECOME "PRIVATE COMPANY" FOLLOWING PEOPLES ASSEMBLY PASSAGE OF SPECIAL LEGISLATION. IT APPEARS, HOWEVER, THAT LEGISLATION MERELY RELIEVES BURDENS OF PUBLIC SECTOR PERSONNEL AND ADMINISTRATIVE RESTRICTIONS AND WILL NOT CHANGE EGYPTAIR'S WHOLLY OWNED GOVERNMENT CORPORATION STATUS.

8. EFFECT OF ROUTE LOSS - EGYPTAIR LOST 105 FREQUENCIES PER WEEK AS THE RESULT OF SUSPENSION OF SERVICE TO ALGERIA, IRAQ, LIBYA, SYRIA AND LEBANON FOLLOWING THE REJECTION BY THOSE GOVERNMENTS OF PRESIDENT SADAT'S PEACE INITIATIVE. VP ZIMITY PROVIDED INFORMATION WHICH SHOWS THAT AIRLINE HAS BEEN ABLE TO ADD 145 FREQUENCIES PER WEEK IN FIRST THREE MONTHS OF 1978, THUS NEUTRALIZING THE EFFECT OF THE LOSS OF IMPORTANT ROUTES SUCH AS TRIPOLI AND DAMASCUS.

9. COMMENT: INCREASED NET REVENUE IS IN SHARP CONTRAST TO PREVIOUSLY REPORTED POOR PERFORMANCE BY EGYPTAIR. THERE ARE THOSE SKEPTICS, HOWEVER, WHO CONTINUE TO LOOK FOR BOOKKEEPING SLEIGHT OF HAND IN EGYPTAIR'S STATISTICS. FROM OUR READING OF THOSE DATA, HOWEVER, IT APPEARS THAT IT IS AIRBUS OPERATION WHICH IS PULLING NET REVENUES UP. LIMITED OFFICIAL USE

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PAGE 04 CAIRO 11243 02 OF 02 210606Z

INCREASING REVENUE, THEREFORE, MAY BE PHENOMENON OF VERSATILITY AND ECONOMY OF THIS PARTICULAR TYPE OF AIRCRAFT AND WOULD NOT NECESSARILY REFLECT RADICAL CHANGE IN OTHER AIRLINE OPERATIONS. IF THIS IS THE CASE, THEN CONTEMPLATED ACQUISITION OF WIDE-BODIED AIRCRAFT MAY BE VIEWED AS KEY TO CONTINUATION OF INCREASED PROFITABILITY BY EGYPTAIR. ELTS

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